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Siemens Wins Tax Deduction In IRS Rules Mismatch Case

By **Molly Moses**

Law360 (July 15, 2026, 6:41 PM EDT) -- Siemens Medical Solutions is allowed the full dividends-received deduction it claimed for 2019, the U.S. Tax Court held Wednesday, throwing out an IRS regulation that attempted to reduce the deduction by aligning the effective date of different provisions under 2017 tax legislation.

As it had in a similar case involving Varian Medical Systems in 2024, the court found that rules designed to correct a mismatch in effective dates between provisions of the Tax Cuts and Jobs Act conflicted with the plain meaning of the statute.

Siemens, a fiscal-year taxpayer, had deducted $671 million under Internal Revenue Code Section 245A based on dividends it received from a Dutch affiliate after undergoing an overseas restructuring in 2018. Section 245A, part of the 2017 legislation, was designed to help U.S. companies compete on a level playing field and eliminate the lockout effect of U.S. taxation on repatriated earnings that existed before the TCJA, Judge Kathleen Kerrigan noted in her opinion, which was unanimously adopted.

The IRS disallowed $315 million of the deduction, relying on regulations it issued in June 2019 that limited the amount of certain dividends that could go into the accounting of the deductions.

The Section 245A temporary regulations, known as the extraordinary disposition rules, were intended to prevent certain dividends from being eligible for a deduction despite the underlying earnings' not being taxed by other rules, such as those targeting global intangible low-taxed income, or GILTI, which had a later effective date. Without the extraordinary disposition rules, non-calendar-year taxpayers could benefit from the Section 245A deduction without having to include the income in the GILTI calculation.

As it had in Varian, the Tax Court said the gap in the TCJA provisions' effective dates must be respected.

Judge Kerrigan pointed out that the Senate and House versions of the legislation had different effective dates for Section 245A, so Congress had to devote some thought to which date it would ultimately adopt.

"As in Varian, Congress 'chose the rule it adopted over a readily available alternative,'" Judge Kerrigan said, quoting from that opinion. "Since the House and the Senate versions of the TCJA had different effective dates for section 245A, Congress had to choose what the effective date should be in the final version."

The IRS declined to comment.

Representatives for Siemens didn't immediately respond to a request for comment.

Siemens is represented by Eric J. Konopka, Jean Ann Pawlow and Alexandra B. Clionsky Kelly of Latham & Watkins LLP.

The IRS is represented in-house by Nicholas D. Doukas, William Tyler Halasz, Laura A. Humphreys and Victor W. Zhao.

The case is Siemens Medical Solutions USA Inc. v. Commissioner, docket number 11432-25, in the U.S. Tax Court.

--Additional reporting by Kat Lucero and Natalie Olivo. Editing by Emma Brauer.
